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WHA FOR DAS REYNOSO
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SUBJECT: JAMAICA: SCENE-SETTER FOR DAS REYNOSO'S VISIT, JANUARY 11-13

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Summary and Analysis

11. (SBU) Post welcomes the visit of DAS Reynoso at a time when Jamaica faces serious challenges on multiple fronts:

-- a crushing debt burden, negative growth, high unemployment, and the prospect of painful new taxes and budget cuts needed to conclude an indispensable standby arrangement with the International Monetary Fund (IMF);

-- alarming levels of crime and corruption, and a disappointing lack of progress on a recent high-profile USG extradition request;

-- crumbling infrastructure, environmental degradation, and the spread of HIV/AIDS;

-- and a pervasive loss of confidence in both the current Government and the opposition party.

Unless these ominous trends can be reversed, Jamaica could see further erosion of its stability in 2010, to include large-scale civil unrest. End Summary and Analysis.

12. (SBU) Prime Minister (PM) Bruce Golding's Jamaica Labour Party (JLP) clings to a razor-thin 32-28 parliamentary majority. The charismatic, populist former Prime Minister, Portia Simpson-Miller, leads the opposition People's National Party (PNP). After eighteen years in power, the PNP finally was ousted by a frustrated public in the September, 2007 general election. Nevertheless, the JLP has had a difficult time delivering on campaign promises, having inherited a bloated, inefficient bureaucracy and massive debt burden. The next general election must be held by September, 2012.

¶3. (SBU) As one of the largest Caribbean nations forming part of the "third border" of the U.S., Jamaica is a key partner on security issues. Trade and migration issues account for much of the solid bilateral relationship with the USA, with environmental and energy issues taking a greater role in recent years. The USA remains Jamaica's primary trading partner. Bauxite/alumina and remittances, which traditionally have accounted for much of the country's foreign exchange earnings, have been battered by the global recession; in the vital tourism sector, volume has held up remarkably well, but profit margins have shrunk significantly.

End Summary and Analysis.

Overview

¶4. (SBU) Jamaica, roughly the size of Connecticut, has a population of 2.7 million and a GDP of approximately USD 11.21 billion (2007 estimate). It gained independence from the U.K. in 1962, and remains a member of the Commonwealth. With its British political and cultural heritage, a relatively educated and entrepreneurial population, and uncommon natural beauty, Jamaica nevertheless has weaknesses in key institutions, a bloated bureaucracy, financial resource constraints, and lackluster (now negative) economic growth. A high crime rate results in considerable security costs that must be borne in doing business, particularly in Kingston.

¶5. (SBU) U.S. interests in Jamaica largely relate to security, as broadly defined: combating the flow of illegal drugs, strengthening democratic institutions, fostering sustainable economic development, and protecting the environment. An estimated one million or more Jamaicans live in the United States, with over 400,000 in South Florida. Virtually every Jamaican has a family member in New York, Connecticut, New Jersey, or Florida. In addition, over one million U.S. citizens visit Jamaica annually, and assisting them is a primary U.S. Embassy concern. Resources also are directed to encourage U.S. exports and support U.S. investors and businesses.

Political Background

¶6. (SBU) Jamaica has a "Westminster model" parliament consisting of: a lower house, the House of Representatives, comprised of 60 directly elected members; and an upper house, a Senate made up of 21

appointees. Power rests largely in the hands of the head of government, the PM. He and his Cabinet (Ministers drawn largely from the House and the Senate) decide government policy. The British monarch, represented locally by an appointed Governor General, is the largely ceremonial head of state. The two major political parties have historical links with two large trade unions--the Jamaica Labour Party (JLP) with the Bustamante Industrial Trade Union (BITU) and the People's National Party (PNP) with the National Workers Union (NWU).

¶7. (U) The PNP won four consecutive general elections up through 2002, retaining control of the government for an unprecedented eighteen years. In March 2006, PNP leader Portia Simpson-Miller became the nation's first female Prime Minister. She remained in office only until September 2007, when the JLP finally regained a majority, albeit a slim one; it was the closest national election in Jamaican history, with only 100 votes separating the contestants in ten of the sixty parliamentary constituencies. Despite some election-related violence and minor irregularities, the vote was largely free and fair, and declared as such by observers from the Organization of American States.

Analysis: Current Political Landscape

¶18. (SBU) The JLP currently maintains 32 out of the 60 parliamentary seats. However, in recent months three sitting JLP Members of Parliament (MPs) who had held dual citizenship at the time of their nomination in 2007 have been forced to face by-elections as a result of court decisions temporarily disqualifying them. While all three MPs have been re-elected and reinstated, the long-running political fracas has undermined public confidence in politicians of both parties: Jamaicans wish their leaders would deal with crime and the economy rather than engaging in seemingly endless political one-upmanship. Moreover, in recent weeks the Government's vacillation over the prospect of painful new taxes and budget cuts needed to conclude an indispensable standby arrangement with the International Monetary Fund (IMF) has diminished confidence in PM Golding even within his own party. If the JLP's thin parliamentary majority were to be imperiled, either through the loss of possible future by-elections or through defections from its ranks, he may be forced to call a snap general election -- a dubious prospect under current socio-economic conditions.

¶19. (SBU) Jamaica traditionally has sought to leverage its small-nation influence through multilateralism via CARICOM, the G77, and the Non-Aligned Movement. The country maintains cordial

relations with Cuba. Jamaica sees itself as a spokesman for smaller economies, particularly island states, and pushes for special and differential treatment for small economies in the FTAA and the WTO. As the most populous English-speaking CARICOM member (only Haiti is larger), Jamaica also views itself as a CARICOM leader, though Trinidad and Tobago's growing economic power has eroded Jamaica's influence within the organization. Nonetheless, this relatively small country wields significant international influence and prestige, and enjoys a status beyond its size in many international fora.

Economic Background

¶10. (SBU) Jamaica's gross domestic product (GDP) is valued at USD 14.9 billion and the economy is considered to be in the lower-middle income status. It relies heavily on the services sector, which accounts for about 60 percent of GDP. The largest foreign exchange earners are tourism and remittances, at USD 2 billion. Tourism numbers for 2008 reached 3 million visitors, an increase from 2 million in 1998. The country benefited from USD 789 million in direct foreign investment in 2008 (down - from USD 867 million in 2007), this included several major investments in the tourism sector by Spanish firms.

¶11. (SBU) The country normally benefits from ample water supplies and a climate conducive to agriculture and tourism. Although, it is facing a drought in the Kingston corporate area due to reduced rains this year. Jamaica has been able to develop niche markets in value added agri-business such as Blue Mountain coffee and high quality rums. However, periodic hurricanes have damaged tourism revenue as well as agriculture outputs. Although Jamaica recovered from the devastation of Hurricane Ivan in 2004, it suffered close to USD 300 million in damages, mostly to crops and infrastructure, when Hurricane Dean hit the island in 2007. Tropical Storm Gustav in August 2008 damaged agriculture as well, especially export agriculture sectors. The shock to banana exports was so bad that the sole exporter, Jamaica Producers Group, decided to exit the banana export business. Gustav also caused significant infrastructure damage to roads and bridges, including completely washing out a bridge just outside of Kingston. Total damage caused by Gustav is estimated at USD 214 million.

¶12. (SBU) Overall, the economy faces several long-term challenges which have caused years of anemic economic growth averaging about 1 percent for the last two decades. Large-scale unemployment, especially among the unskilled population, serious crime problems, including gang violence related to the drug trade, lack of available credit and an extremely high debt burden hinder growth and erode investor confidence. The government debt is 130 percent of GDP, making Jamaica the fourth most indebted country in the world. Almost 55 cents on every dollar of revenue earned by the GOJ goes to debt servicing, which limits the government's ability to invest in infrastructure improvement or pay for public services such as security, education, and health care. Low tax compliance rates, hovering at about 45 percent, worsen the problem of limited revenue.

Trade and International Investment

¶13. (SBU) Prime Minister Golding generally welcomes direct foreign investment and maintains that Jamaica will only resolve its debt problems if it can grow its economy. He has called for creating a climate that is more conducive for investment and reducing bureaucratic red tape that hinders investment, but there has been little tangible progress on these efforts during his two years in office. Overall, GOJ economic policies encourage foreign investment in areas that earn or save foreign exchange, generate employment, and use local raw materials. The government provides a wide range of incentives to investors, including remittance

facilities to assist them in repatriating funds to the country of origin; tax holidays which defer taxes; and duty-free access for machinery and raw materials imported for approved enterprises.

¶14. (SBU) The USA is Jamaica's primary trading partner. In 2008, U.S. exports to Jamaica were an estimated USD 2.7 billion, representing almost 40 percent of Jamaica's total imports. U.S. imports from Jamaica were an estimated USD 824 million. Some of the major import categories were petroleum, grains, machinery and transport equipment. The United States has been Jamaica's principal export market over the last two decades. Jamaica exports mostly crude materials, chemicals, and food to the United States. Tourism, bauxite/alumina, and remittances account for most of the country's foreign exchange earnings. Uncompetitive traditional agricultural exports - bananas and sugar - have faced the end of preferential regimes. The once flourishing apparel industry also

collapsed.

Social Repercussions of Economic Downturn

¶15. (SBU) The spiraling cost of living is undermining social and economic stability in Jamaica. Inflation hit 17 percent in 2008 and shows little sign of abating. A confluence of factors underlies the upward movement in prices, chief among them the steep decline in the Jamaican currency. The Jamaican dollar has depreciated by almost 10 percent since the beginning of 2009. This foreign exchange market instability has significant implications for this import-dependent country. The current exchange rate is over JD 89 to USD 1

Environment

¶17. (SBU) Jamaica's economy is heavily dependent on the island's fragile natural resources, given that tourism, bauxite and alumina production, and agriculture provide the bulk of foreign exchange earnings. Large-scale hotel and resort developments under construction along the north coast will severely strain the island's natural resources and infrastructure. Environmental degradation and resource depletion are serious threats to sustainable economic growth in Jamaica. The most pressing environmental challenges affecting the island are coastal water quality (some estimate 80 percent of coral reefs have perished), deforestation, and lack of

biodiversity protection. Jamaica needs to develop a long-term environmental protection scheme that works with the private sector.

Law Enforcement and Security

¶18. (SBU) Jamaica is a transit point for South American cocaine en route to the United States. It is also the largest Caribbean producer and exporter of cannabis. The GOJ has a National Drug Control Strategy in place that covers both supply and demand reduction. The murder rate in Jamaica has increased steadily since 2002 with well over 1600 killings annually, while the justice system has been unable to keep up, with only 45 trials per year on average. Based on their past experiences, most civilians fear that at best, the authorities can't protect them, and at worst, are colluding with criminals, leading citizens to avoid giving evidence or witness testimonies. The police are only able to resolve (make arrests) thirty-four percent of homicides annually, and they only convict perpetrators in five percent of the homicide cases. This leads both the public and police to doubt the effectiveness of the criminal justice system leading to vigilantism, which only exacerbates the cycle of violence.

¶19. (SBU) The GOJ has seized 226 kilos of cocaine this year (about the same as last year) in Jamaica and throughout its territorial waters. The GOJ has cooperated fully in several major international narcotics law enforcement initiatives, which have resulted in the arrest and extradition to the USA of high-profile Jamaican, Colombian, Bahamian, and Panamanian narcotics traffickers responsible for the manufacture, trans-shipment, and distribution of vast amounts of cocaine throughout the Central Caribbean region. Unfortunately, over recent months the GoJ has been less cooperative with the USG in its response to our request for the extradition of Christopher "Duddas" Coke, a high-profile reputed "don" wanted to face charges in New York for conspiracy to illegally distribute drugs and weapons (reftel).

¶20. (SBU) The Port Authority of Jamaica (PAJ) has procured and installed non-intrusive inspection equipment, including mobile gamma imaging machines, x-ray machines for high-density cargo, and pallet machine and closed-circuit television surveillance systems for the Kingston and Montego Bay ports. While the Container Terminal is relatively well protected, and is now a beneficiary of the U.S. Container Security Initiative, its neighbor Kingston Wharf, a break bulk facility, is plagued with security problems that facilitate contraband smuggling. The Jamaican Constabulary Force (JCF) Narcotics Vetted Unit (NVU) has taken steps to increase its evidence and intelligence gathering capabilities to better investigate major narcotics dealers and crime-lords. In addition, the GOJ has agreed to the establishment of an International Airport Interdiction Task Force comprised of Jamaican, U.S., UK, and Canadian law enforcement elements which will focus on narcotics trafficking and illegal migration at the country's two major international airports.

¶21. (SBU) The military, or Jamaica Defence Force (JDF), devotes considerable resources to the internal security mission in Jamaica and conducts operations with/in support of the JCF. One such

ongoing operation is "Operation Kingfish," which targets high level criminals in Jamaica. Other important missions are Counter-Drug (marijuana eradication and maritime interdiction) and humanitarian assistance in times of natural disaster (primarily hurricanes and flooding). The U.S. conducts joint exercises and provides training opportunities for JDF officials.

Consular

22.(SBU) Facilitating legal migration and deterring illegal movement are key missions for Embassy Kingston. Despite its small size, Jamaica is a major source of legal and illegal immigrants to the United States. Embassy Kingston is one of the busiest consular posts in the Western Hemisphere: the consular section processed approximately 17,000 immigrant visas, and adjudicated over 116,000 non-immigrant visa applications in the last year. Kingston's Fraud Prevention Unit has been diligently entering known or suspected Jamaican criminals into CLASS before they apply for visas. Between February 1 and September 30, 2009, we entered over 2,600 new CLASS entries. Kingston ranks in the top 10 highest fraudulent posts worldwide. Travel is not one-way. Well over 1.5 million Americans visited Jamaica each year, most as tourists. In addition, over 20,000 American citizens are permanent residents on the island.

HIV/AIDS

123. (SBU) The Caribbean region's HIV prevalence rate of approximately 2.4 percent is second only to sub-Saharan Africa. In Jamaica, about 3 percent of antenatal clinic and 1.5 percent of the general population test positive for HIV, according to GOJ statistics. The early average age of first sexual encounter,

multiple partners among adolescents, and the stigma of homosexuality in Jamaican culture, all contribute to the potential risks for an accelerating epidemic in the Jamaican population. There is a high degree of discrimination against those living with HIV/AIDS, regardless of whether they are men, women or children. Even if the disease is successfully contained, HIV will continue to have serious economic consequences. According to the University of the West Indies Health Economics Unit, if the escalation continues at its present rate, the estimated economic cost in five years will equal 6.5 percent of GDP.

Parnell